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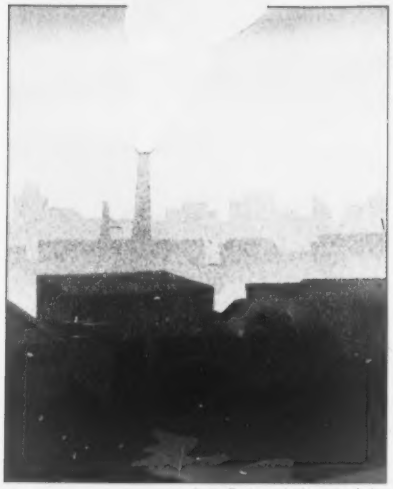

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Cover illustration by Tommy Solosky

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NUMBER 5

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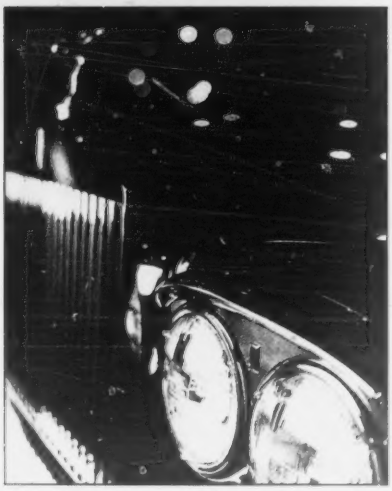

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The Forbes Index

Producer prices climbed 1.8% in January, but that was due to unusual movement in food and energy. Were it not for sharp rises in these sectors, the index would have registered an increase of 0.1%. The December figure for manufacturers' inventories shows a 0.5% decline in unsold goods. Most companies use computers to help manage inventories. As a result, there is less likelihood of an inventory-driven recession. During 1989, personal income rose by 7.4%, from $2.5 trillion to $2.7 trillion. Consumer installment credit was $717 billion.

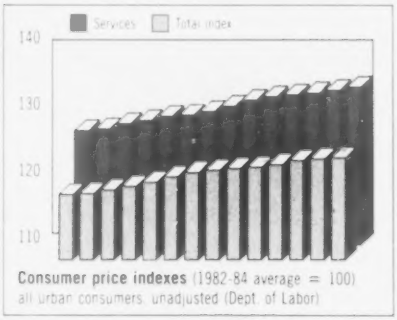
Other key rates	Source	Status
Prime rate	Chase Manhattan Bank	10.0%
Auto sales[1] year to date vs. 1989	Ward's Automotive	6.2%
Index of leading indicators December vs. November	Dept. of Commerce	0.8%
Trade balance last 12 months	Dept. of Commerce	-$112 bil
Producer price index[2] January vs. 1989	Dept. of Labor	5.8%
GNP 4th quarter vs. 3rd—annualized growth	Dept. of Commerce	0.5%
NBER Experimental Recession Index[3]	Natl Bureau of Economic Research	6.0%

[1]U.S.-based manufacturers only as of 1/31/90. [2]Finished goods. [3]December 1989.

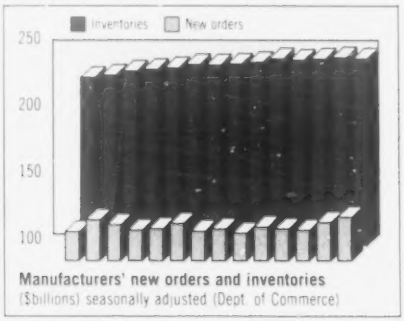
Index Components

The Forbes Index is a measure of U.S. economic activity composed of 8 equally weighted elements: Total industrial production; new claims for unemployment compensation; the cost of services relative to all consumer prices; new housing starts; total retail sales; the level of new orders for durable goods compared with manufacturers' inventories; personal income; total consumer installment credit.

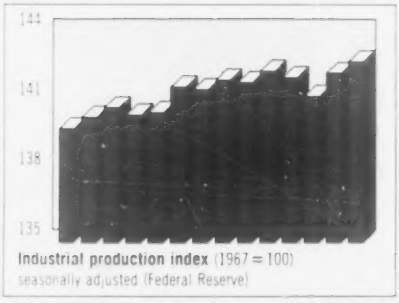
To measure these 8 elements, FORBES monitors 10 series of U.S. government data. The last 14 months' data for each series are presented below.



Consumer price indexes (1982-84 average = 100) all urban consumers, unadjusted (Dept. of Labor)

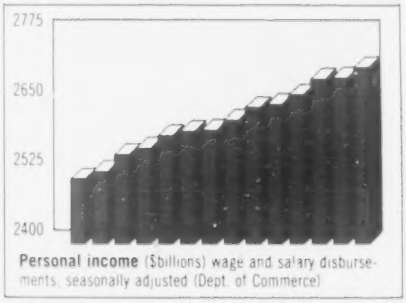


Manufacturers' new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)

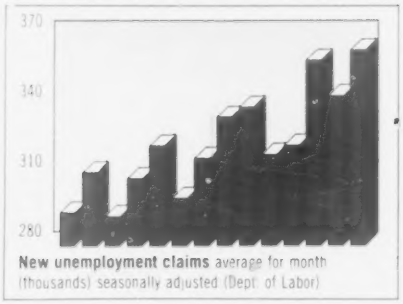


Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)

New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)

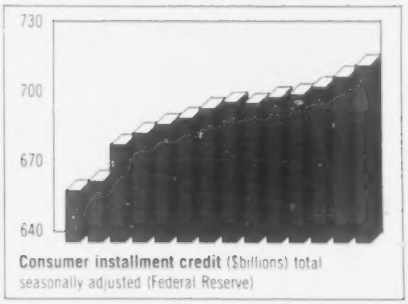


Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)

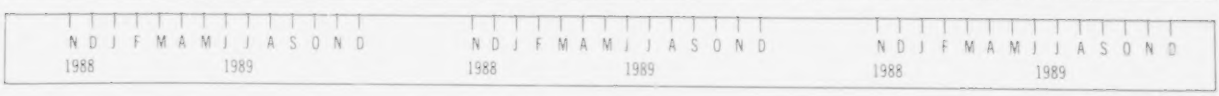


New unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)

Retail sales ($billions) seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions) total seasonally adjusted (Federal Reserve)



mans (FORBES, *Nov. 27, 1989*) need junk bond financing. Nor did Hoffmann-LaRoche when it agreed to pay $2.1 billion for 60% of Genentech.

Prudential-Bache's Guy Wyser-Pratte is a veteran of the arbitrage wars, a consummate practitioner who has seen the Ivan Boeskys come and go. From the current disaster, Wyser-Pratte draws a bit of advice for the investor:

"On Wall Street, everything is an exaggeration, both on the upside and on the downside. When people are going in either direction, they're usually coming in or going out the same door at the same time. But nobody ever gets anywhere by panicking. What you should do is stand on either side of market exaggerations and be on the lookout for overreaction."

Drexel has sunk and taken junk bonds with it. But dealmaking and takeovers will go on. ■

Junk bond holders aren't the only people with troubles these days. A lot of folks who thought they owned high-rate thrift deposits are having their rates slashed.

It says here . . .

By Matthew Schifrin

PHILIP EITMAN is peeved. So are the individuals, school districts and credit unions he counts among his clients. As head of Clifton, N.J.-based High Yield Management Securities, Eitman makes his living channeling investors' money into high-yielding certificates of deposit issued by ailing thrifts. Playing with fire, last fall he got burned.

Eitman and his clients received letters from University Savings of Houston, explaining that the thrift had been acquired by NCNB, the North Carolina bank holding company. Within two weeks, the letter said, all University CD rates would be cut to between 7.75% and 8%. Yet some of Eitman's clients invested in University CDs yielding as much as 12%. This was a risk Eitman hadn't prepared his clients for. Still, they should have known: Where there is above-average return, there is above-average risk.

"Our customers blamed us because we told them the rate would be good for two years," complains Eitman, whose 60 brokers channel $800 million a month into thrift CDs. "Now some have stopped buying from us."

What happened to Eitman and the depositors of University Savings is by no means an isolated case. In January, when Home Savings of Anchorage was acquired by Security Pacific, its 5,200 accounts were notified that CD rates would be cut. All deposits that had been brought in through CD brokers like Eitman were offered 5.5%. Take it or withdraw it. Another case: Peoples Heritage of Salina, Kans., a troubled thrift, had been paying 2.2 percentage points above the average cost of funds paid by competitors. After the thrift was split up and sold off to competitors, its former branches offered CD rates much closer to the market average.

In an effort to fix the thrift crisis, the government's Resolution Trust Corp. has sold or liquidated some 40 insolvent savings institutions over the past year. In the process, the government agency gave buyers the option to cancel rates on more than $12 billion in deposits. If they were paying above-market rates, they could, in effect, simply break the contracts.

And this could be just the beginning. The government agency currently controls some 312 insolvent thrifts with more than $130 billion in deposits. Many of these institutions have high-rate CDs outstanding, and, in fact, some are still offering high rates to attract funds. But as the RTC sheds these institutions, one at a time, those rates are likely to be slashed nearer to the market average, currently about 7.9% for one-year jumbo CDs and 8.1% for two-year jumbos *(see table)*.

There are a further 400 insolvent thrifts with $200 billion in deposits yet to be taken over by the RTC.

Of course, by cutting rates, the ailing thrifts' new owners risk losing deposits. But that's a risk they are prepared to take. After all, those brokered deposits are expensive to keep, and, in the first place, the thrifts only took them when they were desperate to remain solvent. So NCNB didn't

Saver, beware

These insolvent thrifts—just a handful of those under government control—offer depositors above-average yields. But how long will those high rates last? Once sold off to private investors, such thrifts could cut rates sharply, even on long-term CDs that are outstanding.

Thrift	Assets ($mil)	Current one-year CD yield*	Regional average yield
Caprock Savings, Lubbock, Tex	$486	8.80%	8.02%
Westwood Savings, Los Angeles, Calif	280	8.60	8.15
American Savings, Colorado Springs, Colo	687	8.60	7.91†
ABQ Bank, Albuquerque, NM	2,206	8.55	7.91†
Excel Banc, Laredo, Tex	112	8.55	8.02
Security Savings, Scottsdale, Ariz	494	8.50	7.91†
Central Savings, Jackson, Miss	59	8.50	7.91†
First Savings, Laredo, Tex	171	8.50	8.02
Valley Federal, McAllen, Tex	517	8.50	8.02
Sun State, Phoenix, Arizona	891	8.50	7.91†

*Yield on balance of $10,000 to $100,000. †National average; regional average not available.
Source: Banxquote Online

flinch when 40% of University's $3.5 billion in deposits walked away in search of greener pastures. Says an NCNB official, "We are sorry they left, but we prefer to serve local depositors who want other services."

Who gave buyers the right to break what is essentially a contract with depositors? Congress. Thanks to vague wording in the Financial Institutions Reform, Recovery & Enforcement Act passed in August, anyone who buys a thrift from the RTC has the right to "repudiate any contract or lease." The provision was probably intended to help buyers get out of onerous leases on branch offices or long-term data-processing contracts. But now acquirers are using the provision to cut the cost of high-yielding CDs, and so far the regulators have all but given their blessing.

At a time when Daniel Kearney, president of the RTC's Oversight Board, has resigned, leaving the bailout program in disarray, this rate-cutting could hurt in many ways. By allowing rates to be reduced at the thrifts it has already sold off, the agency is discouraging investors from buying CDs issued by the sick thrifts still under its control. This will no doubt raise the RTC's cost of funds.

Before long, the courts could get involved. The statute allowing the rate cut is vague, according to Richard Kneipper, financial institutions expert at the Dallas office of Jones, Day, Reavis, & Pogue. He also points out that the statute allows those damaged by any contract changes to sue for compensatory damages. Who knows which way the suits will fly? Merrill Lynch, one of the nation's largest money brokers, has reimbursed clients whose CD rates were cut.

The savings and loan crisis is not over yet. ■

The SEC may soon allow trading in unregistered securities—but only for the big boys. Wall Street sniffs a highly salable new product.

Private but public

By Richard L. Stern

THE 1980s WAS the decade of the junk bond market, but that's over. This is the 1990s. What will Wall Street peddle next? Among other things, widely traded private placements. Isn't that a contradiction? If an issue is placed privately, how can it be traded?

Securities & Exchange Commission rules now limit a liquid secondary market in the huge private placements that are usually issued by major corporations and bought by institutions such as pension plans and insurance companies. There are probably $160 billion of such securities tucked away by U.S. institutions every year.

Now, perhaps as early as this spring, the SEC seems all but certain to allow a rule change known as 144(a). The change would allow the investment equivalent of consenting adults—institutions that did at least $100 million in securities transactions in the previous fiscal year—to buy and sell more efficiently equity and debt securities of U.S. and foreign companies that neither are registered with the SEC nor have met the agency's stringent disclosure requirements. For these consenting adults, unregistered private placements would become easily tradable and, thus, presumably more valuable.

Wall Street, obviously, is watching this closely. Executives such as David Blood, Goldman, Sachs vice president in charge of private capital markets, believe the new liquid unregistered market would replace much of today's public U.S. investment-grade debt market. Why bother with the costs and delays of registration and disclosure when the ultimate market is the big institutions anyhow?

Until now, the issuing of widely traded securities, even to big institutions, primarily has been subject to 1930s federal laws that require registration with the SEC and fairly detailed disclosure of who is doing the issuing and what the terms and risk are. Under 144(a), notes Charles Symington, a New York-based managing director of the U.K. merchant banking firm S.G. Warburg & Co., issuers will still have to disclose enough information to satisfy the buyers. But the "disclosure will be market-driven," meaning the buyer, not the SEC, will decide what must be disclosed. It would eliminate a lot of red tape and expense.

The 144(a) change also should make the U.S. more competitive in the era of global markets by allowing the trading of foreign debt and equity issues that do not meet the SEC's stringent disclosure requirements. "After all," says Symington, "lots of countries have good disclosure and accounting rules—sometimes better. They are just different."

Even before the rule changes, Goldman is testing the waters with a foreign private placement debt offering of over $100 million, designed to appeal to a wider market than the typical private placement buyers. "The advantage of the U.S. markets for this company," says Blood, is that the issue will be of a longer duration than the Eurobond market is used to handling. The typical Eurobond issue has a maturity of three to seven years. The new bonds could be for ten years.

The National Association of Securities Dealers is designing a trading system, known as Portal, for this new market. The NASD hopes to attract dealers to act as middlemen for institutional buyers and sellers. "Portal offers great competitive potential for the U.S. in world markets," argues NASD President Joseph Hardiman.

Is there potential for the public getting hurt? Yes. Mutual funds and pension funds can participate. There is also no rule limiting the market to only high-quality issues. Although the buyers are supposed to be informed and sophisticated and the sellers jealous of their reputations, the same could have been said about most of the players in junk bonds. And look what happened there. ■

Commentary by Michael Gianturco

THE TECHNOLOGY CASINO

When the market for science and technology stocks grows volatile and therefore risky, as it has in recent months, you may find it helpful to buy a few option contracts as an adjunct to—or in lieu of—stock positions. Emphasis on *few*.

Because it is possible to lose the full amount committed to any option (about 70% of these contracts actually expire without value), it is sensible to keep this commitment very small. For most people, in fact, an option probably means a $200 bet. Such bets are sometimes worthwhile because it is possible to double, triple or quadruple your money in a few weeks. Option traders make money on sharp price excursions, not long-term trends. We have had our share of sharp excursions lately, and the longer-term trend is by no means clear. So the time may be right for a little options trading.

In science and technology stocks the use of option contracts became widespread in the early Eighties, coincidental with an enormous speculative surge in technology stocks that ended with a bang in 1984. At *The Princeton Portfolios* we began buying options for the first time in that year. We bought puts as the technology stock market nosed into decline, and as we were stopped out of long positions in one technology stock after another. Put options increase in value as the underlying stock goes down. Our option positions did not represent a heavy capital commitment at all, yet they successfully kept us afloat in a hurricane market.

The experience gave me a new and positive outlook on the option-trading scene. It may indeed be a casino in the view of most investors, but in the science and technology sector I think the option market is a tool you can and should investigate. At their most volatile, science and technology stocks are a real

handful. Options can make a portfolio of such stocks a little more manageable; consider using options whenever volatility grows as extreme as it has been in recent months. When the market is clearly going up, stocks make sense. But when it is going down—or swinging abruptly up and down with a periodicity of a few weeks or even days—then options may make better sense than stocks.

Whether the potential reward is sufficient to offset the risk is something each investor must decide—preferably with the help of a computer program designed to evaluate, in real time, the relative risk, volatility and value of various options contracts. For a start, try OptionVue Systems of Vernon Hills, Ill., for a tutorial diskette called Options Made Easy. Its advanced OptionVue IV program runs "live" in conjunction with various FM, cable and phone quote streams.

To suggest the range of options available on widely followed science and technology stocks, 20 are noted here *(see table)*. Options on these stocks are traded on the Chicago Board of Options Exchange or the American or Pacific exchanges. The stocks are ranked in order of decreasing price/sales ratios (PSR), with the most costly stocks at the top of the list. The PSR is particularly useful in comparing mature companies with younger companies that may not yet have any significant earnings history.

Included with the PSR is an 18-month relative strength measure, which compares the performance of the stock with that of the NYSE Composite Index over the span of the past 18 months. The NYSE's performance is taken as 100%. One might state, for example, that a stock with a relative strength of 78% had done 78% as well as the NYSE index, and thus has some catching up to do. Conversely, a stock with a relative strength of 120% has so strongly outperformed the market that it may be overbought and headed for a correction.

In this table, most traders would scan for potential put options among the issues at the top of the list, and for potential call options at the bottom. It appears biotechnology and software stocks are quite advanced in price just now, while the semiconductor and computer hardware stocks are depressed. If the market weakens, the software and biotechnologies might be in for a tumble. If the market strengthens, look to the computer hardware stocks for a quick rebound.

Since these are optionable stocks, we are looking at them here purely with an eye to their potential for sharp price excursions—sudden corrections and pops. This approach does not take into consideration the long-term outlook for the underlying stocks. And I would reemphasize: If you elect to play this game, keep the stakes tiny. It is fun to win but awfully easy to lose. ■

High-tech options

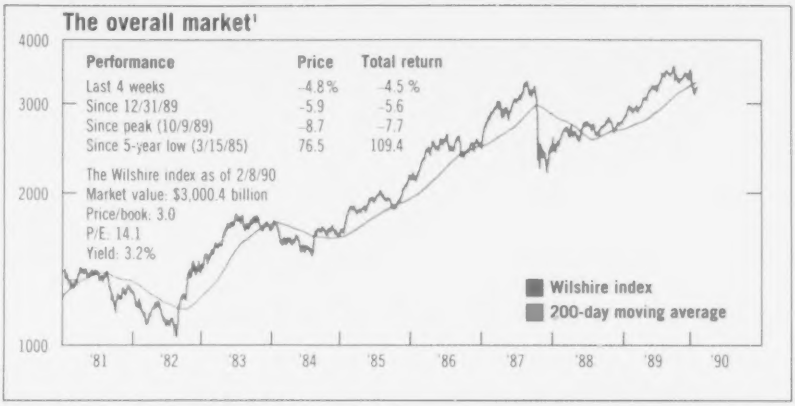
Company	Price/ sales	Relative strength
Cetus	21.42	90%
Biogen	17.39	109
Alza	14.56	93
Amgen	12.71	112
Autodesk	8.79	102
Genentech	6.87	118
Adobe	6.65	156
Octel	4.49	102
Novell	3.37	117
Aldus	2.76	114
Lotus	2.64	98
Tandem	1.95	113
Stratus	1.81	96
Mentor Graphics	1.79	89
Compaq	1.58	81
Applied Biosys	1.26	55
Intergraph	1.24	101
Sun Micro	1.04	120
Apple Computer	0.81	69
Digital Equip	0.74	84

Michael Gianturco is president of The Princeton Portfolios, a New Jersey asset management firm, and edits The Top Ten, *its weekly computerized newsletter on investments in science and technology.*

The Forbes Wall Street Review

Edited by Eric S. Hardy

The recent rebound of stock prices during the first two weeks of February may only be a fluke rather than a genuine upward trend. Goldman, Sachs' Steven Einhorn expects a softer economy with GNP growth of about 1% in 1990. In January his firm advised clients to raise their cash positions from 5% to 20% and reduce the equities in their portfolios from 65% to 50%. The market's recovery may be short-lived but the two-week gains in major indexes were welcomed by investors. The blue-chip Dow industrials rose 3.3%, while the Wilshire index of 6,000 stocks gained 1.7%.



Closeup on the Market

Index or investment	Price	2-week change
Wilshire index 6,000 stocks, capitalization weighted	3,216.98	1.7%
Wilshire index 6,000 stocks, equal weighted	20.94	1.5
Dow Jones industrials 30 stocks; divisor-adjusted price average	2,644.37	3.3
S&P 500 Capitalization weighted cross-section, major stocks	332.96	2.1
NYSE Capitalization weighted, all listed common stocks	184.09	1.9
Amex Capitalization weighted total return, stocks, warrants	357.68	1.1
Nasdaq Capitalization weighted, all issues except warrants	427.32	0.5
Amex international market index Capitalization weighted, 50 largest ADRs	325.70	1.1

Index or investment	Price or rate	2-week change
Europe, Australia, New Zealand and Far East[2] (EAFE) a dollar denominated capitalization weighted index	1011.70	1.7%
Institutional[3] Approximately 200 stocks with high institutional ownership	109.72	2.0
Individual[3] Approximately 200 stocks with low institutional ownership	104.41	0.8
Russell 2000 index 2000 stocks with small market values, capitalization-weighted	158.62	0.4
Gold[4] (Composite quote of 6 major dealers)	$419.00	0.6
Yen[4] (per $U.S.)	145.23	1.1
Commodity index[4] (CRB futures index, 1967 = 100)	230.81	-0.3
Oil[4] (W Texas Intermediate)	$22.09	2.3
T Bills[4] (90 days)	7.78%	-10 basis points
Broker loan rate[4]	9.25%	unchanged

The Best Performing Stocks

Company	Price	2-week change	P/E	Reason
GW Utilities	28½	62%	29	Olympia & York announces plans to take company private at $36 (Canadian) per share
Genentech	27¼	29	55	Hoffman La Roche offers $36 per share to acquire 60% of company
Bariod	12½	28	66	1989 earnings increase 48%, to 28 cents per share
Harsco	26	20	NA	Carlisle files 13-D report indicating it owns 6.3% of the company
Foster Wheeler	25	19	28	Analysts expect company to benefit from upgrading of U.S. enviornmental standards

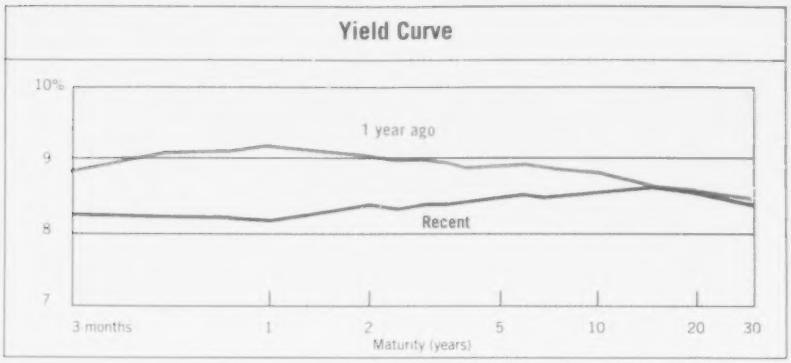
The Worst Performing Stocks

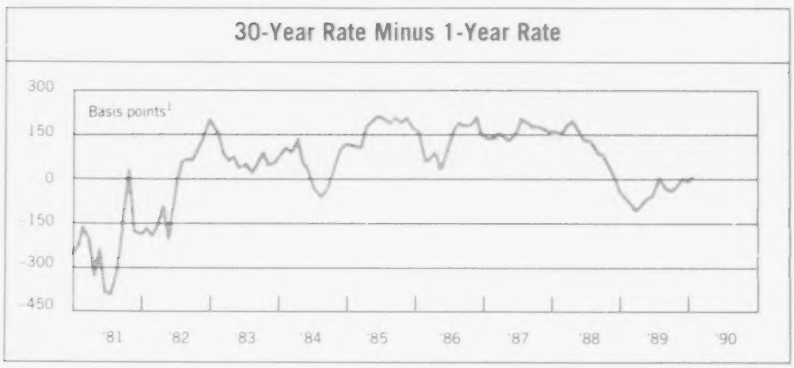
Company	Price	2-week change	P/E	Reason
Jan Bell Marketing	17	-27%	26	Unfounded rumors of illegal business practices causes increase in short selling
Consolidated Freightways	18⅜	-25	9	Reports poor 1989 earnings, 33 cents a share, down from $3.00 for 1988
First Interstate	35	-19	6	Market gives negative response to proposed secondary offering of common stock
Norton	46	-16	10	Fourth quarter earnings are below expectations
Mentor Graphics	15¾	-16	13	Morgan Stanley issues report predicting flat growth in first half of 1990

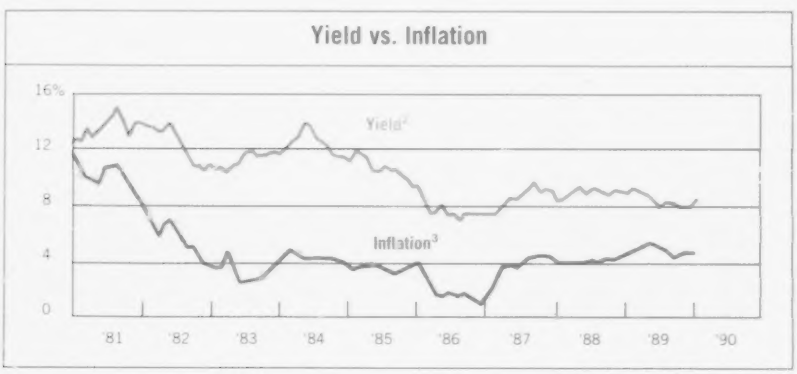
Note: All data for periods ending 2/8/90. Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. Stocks listed above have market capitalizations of $500 million or more. [1]Capitalization-weighted, prepared by Wilshire Associates, Santa Monica, Calif. [2]Morgan Stanley Capital International Perspective. [3]For period ending 2/9/90. A. Arbel, Cornell University, using Ford Database from Ford Investor Services. [4]Knight-Ridder Financial Information. [5]A basis point is equal to one-hundredth of a percentage point. NA: Not applicable.

Fixed Income Review

Edited by Eric S. Hardy







Spread over Treasurys		Total returns		
Security	Basis points[1]	Security	1 year[6]	3 years[6,7]
AA corporates	84	AAA corporates	11.1%	7.2%
AAA industrials	73	Ginnie Maes[5]	12.9	9.0
Ginnie Maes	90	Junk corporates[4]	-5.1	4.0
Junk corporates[4]	774	Municipals[5]	8.0	6.2
Municipals[5]	-116	Treasury bonds	11.2	6.8

Note: Except where footnoted, all information provided by Berkeley, Calif.-based Barra, a financial consulting firm. [1]A basis point is equal to one-hundredth of a percentage point. [2]Yield on ten-year Treasurys. [3]The trailing 12-month increase in the Consumer Price Index, through 12/31/89. [4]Source: First Boston. [5]Source: Shearson Lehman Hutton. [6]Through 1/31/90. [7]Three-year total return, annualized.

Yields on 30-year Treasurys started the year at under 8%, and are now at 8½%. Fixed-rate mortgages of 10% or less were easy to find late in 1989, but the average rate now hovers at around 10¼%. The government's auction of 40-year Resolution Trust bonds went poorly, and Federal Reserve Chairman Alan Greenspan's generally upbeat testimony before the Joint Economic Committee of Congress caused some Fed watchers to expect that a quick decline in interest rates is not in the cards.

The overall decline in bond prices is only a short-term phenomenon, according to the *Bank Credit Analyst.* The monthly forecasting service, based in Montreal, says an expected weak economy in 1990 should keep the lid on interest rates and that the recent uptick in interest rates could be merely a technical correction.

Although the widely publicized auction of 40-year bonds indeed went badly, these bonds recently traded at higher prices on the secondary market. Roland Lochoff, who works in the fixed income department at Barra Inc., the financial and investment consulting firm that provides most of the information on this page, says the very long 40-year maturity of this debt instrument added a slight twist, and so pricing it was tricky.

The relatively flat yield curve *(see top left)* means investors no longer demand an interest premium for short-term bonds, possibly reflecting less uncertainty about short-term rates. The spread between Government and Corporate bonds rose by 11 basis points from October levels. But the market continued to lose confidence in LBO financing—forcing RJR Nabisco to delay a crucial issue. The relative yield of junk bonds (the difference between their current yield and what Treasurys of similar maturity pay) increased by 29 basis points from October, to 774 basis points.

For the last 12 months junk bond investors were hit hard: Their total return was a negative 5.1%. Treasury securities, which carry no credit risk, had a total return of 11.2%. (Note: we now show an annualized figure for 3-year total returns.) This is not the kind of performance junk bond investors have been conditioned to expect.

Statistical Spotlight

In a turbulent market, companies with strong records of earnings and dividend growth gain added popularity. The 50 companies here have such growth records.

The checks are in the mail

By Eric Hardy and Katarzyna Wandycz

IN A TEETER-TOTTERING stock market, it's nice to get high and rising dividend checks in the mail. James E. Stowers Jr. likes the feeling, and invests accordingly.

Stowers is head of Twentieth Century Investors, a Kansas City, Mo.-based mutual fund distributor with $6.5 billion in assets. Two of the funds he manages are made up exclusively of income-producing common stocks—Twentieth Century Select and Twentieth Century Heritage. For these portfolios, Stowers looks for stocks that have over several years demonstrated earnings and sales growth. In most cases, this means increasing dividends as well. The Select Fund, in particular, has appeared on FORBES' mutual fund honor roll, published each September. During 1989 the Select Fund's total return was 39.5%; the Heritage Fund's was 35%; the S&P 500's was 32%.

Now that capital gains and dividend income are taxed at the same rate, companies seem to be more willing to pay out more of their earnings as dividends. Evelyn Feit, who analyzes dividend payout patterns of over 10,000 companies for Kidder, Peabody & Co., reports that for six years prior to the 1986 tax act, compounded annual dividend growth for the S&P 500 index was 5.1% per year. From 1986 through 1991, she estimates the compounded annual growth rate will climb to 8.6% a year.

Comes a bad recession, companies can—and often do—cut dividends. But once a company has established a consistent dividend policy, it's hard to turn back. "The last thing they want to do is cut their dividend," says James E. Stowers III, 30, who comanages the funds with his father. According to information Feit gathered from Standard & Poor's, 245 of the companies she studies reduced or omitted dividends during 1989, well below the 573 companies that took this action during the 1982 recession. Feit's research indicates that the current economic slowdown may not cause widespread dividend cuts even in cyclical industries like steel, chemicals and autos. That's because companies have better earnings diversity, healthier balance sheets and stronger cash positions than during the last recession.

The 50 companies in the table all

Yields for a choppy market

During the good and bad times of the 1980s, these 50 corporations steadily increased their cash dividends while maintaining strong balance sheets. Their stocks are especially attractive in this volatile market because managements are likely to maintain their dividends even if the economy falters over the next few months.

Company/business	Recent price	52-week high	52-week low	5-year growth rate EPS	5-year growth rate dividends	yield	Earnings per share 1989	Earnings per share 1990E	12-month P/E
Abbott Labs/pharmaceuticals	64½	70⅜	48⅛	19%	19%	2.2%	$3.85	$4.42	16.8
Albertson's/supermarkets	52⅜	60¼	30⅝	19	13	1.5	2.88E	3.35	18.7
Alco Standard/industrial & consumer products	31⅝	36⅜	25⅛	24	5	2.7	2.57	2.76	12.3
American Brands/tobacco & food products	67	81⅞	61⅞	14	6	4.2	6.51	7.08	10.3
AMP/electrical equipment	48⅜	49⅛	40	16	12	2.8	2.63	2.93	18.4
Anheuser-Busch/beverages	36⅞	46	32⅝	18	19	2.4	2.68E	2.98	13.8
Automatic Data Processing/data processing	49⅜	50¾	35¾	18	13	1.2	2.53	2.87	18.4
Bandag/rubber	79¾	89¼	66⅜	19	11	1.3	5.22	5.74	15.3
Cincinnati Bell/telecommunications	26⅜	35	20	17	12	2.6	1.49	1.71	17.7
Clorox/consumer products	38½	44½	30¾	9	15	3.2	2.66	2.86	14.0
Coca-Cola/beverages	69⅜	81	46½	16	6	2.0	3.39	3.94	20.5
Crawford/insurance claims adjusters	30½	36¼	16⅛	22	16	2.1	1.57	1.69	19.4
RR Donnelley & Sons/printing	43⅞	52⅝	36⅛	11	13	2.2	2.85	3.14	15.4
Dover/elevators	35¾	39½	27¼	12	13	2.0	2.23	2.54	16.0
EG&G/electronics	35½	36½	29⅞	5	11	2.1	2.40	2.85	14.8

E: estimate

have strong earnings and dividend growth histories. The list is the result of screening Media General's database of over 5,000 stocks for companies that have raised their dividends at least once every year for the past ten years—a period that covers a complete and diverse economic cycle. Dropped from consideration were companies with more debt than equity, aftertax cash flow less than 15% of debt, and companies that paid out more than half of net income in dividends. All the companies on the list have a financial rating of A or better from the Value Line Investment Survey. Moreover, every company on the list has posted average annual earnings growth of at least 5% during the past five years; with each company is a 1990 consensus earnings estimate, courtesy of the Institutional Brokers Estimate System, a service of New York brokerage firm Lynch, Jones & Ryan.

Of these 50 companies, Great Lakes Chemical, a specialty chemical maker, shows the highest five-year earnings growth, 28%. Its dividend growth: about average, at 18% a year since 1984. At this rate its yield will double within five years.

Two major food company acquisitions back in the 1980s didn't prevent Philip Morris, one of five Dow industrial stocks in our survey, from posting the fourth-best five-year earnings record, 25%. Coca-Cola, McDonald's, 3M and Procter & Gamble are the other Dow stocks that qualify for this list. American Brands now yields 4.2%, the highest of the 50 stocks in our survey. But its dividend growth rate is 6%, compared with Syntex, with 27%.

There is no guarantee that earnings and dividend payouts of these companies will never fall out of bed. But their histories suggest that their shareholders should sleep a little bit sounder in this volatile stock market period. ■

Yields for a choppy market

Company/business	Recent price	52-week high	52-week low	5-year growth rate EPS	5-year growth rate dividends	yield	Earnings per share 1989	Earnings per share 1990E	12-month P/E
Emerson Electric/electrical equipment	38	41⅛	29½	9%	7%	3.3%	$2.63	$2.85	14.4
Gannett/ publishing	39⅞	49⅞	35¼	12	11	3.0	2.47	2.78	16.1
WW Grainger/electrical equipment	62⅝	66¼	52½	13	8	1.7	4.22E	4.83	15.2
Great Lakes Chemical/chemicals	45⅞	49⅓	30¼	28	18	0.9	3.52	3.99	13.0
Hershey Foods/food processing	31½	36⅞	24⅞	14	12	2.5	1.91	2.22	17.3
Hubbell/electrical equipment	42	46	31⅝	13	15	3.2	2.80	3.03	15.0
Hunt Mfg/office products	19¾	24⅞	17⅞	22	20	1.4	1.17	1.32	16.9
Internatl Flavors & Frag/flavors & fragrances	57½	77½	48¼	15	8	3.8	3.65	4.16	15.8
Johnson & Johnson/health care	55¾	60¾	42½	20	12	2.1	3.25	3.72	17.2
Kellogg/food processing	63¼	81⅝	57¾	17	16	2.7	3.46	4.31	18.3
Kimberly-Clark/paper products	66⅛	75⅜	58¼	17	15	3.9	5.26	5.60	12.6
Knight-Ridder/publishing	56¼	58⅜	42⅞	8	15	2.3	3.43	3.34	16.4
Eli Lilly/pharmaceuticals	63⅝	69¼	45¾	12	11	2.6	3.20	3.85	19.9
Luby's Cafeterias/restaurants	25½	28¾	23⅛	11	13	2.5	1.62	1.79	15.5
May Department Stores/department stores	46	52⅝	34⅝	10	13	3.1	3.72E	4.35	13.0
McDonald's/restaurants	33⅛	34⅞	24	15	13	0.9	1.95	2.21	17.0
McGraw-Hill/publishing	53⅞	86⅛	53½	8	11	4.0	3.93	3.85	13.7
Millipore/filters	25¾	37⅜	24¼	15	17	1.6	1.90	2.12	13.6
Minnesota Mining & Mfg/consumer products	81⅝	84	64½	15	8	3.6	5.60	6.10	14.6
National Service Industries/lighting equip	26¾	30⅜	23	9	14	3.4	1.92	2.07	13.8
NCR/computers	69⅜	69⅝	52½	13	11	1.9	5.44	5.84	12.8
Nucor/steel	50¾	67½	46¼	9	16	0.9	2.69E	3.75	17.8
Philip Morris/tobacco & food products	39¾	45½	26⅝	25	22	3.5	3.18	3.64	12.5
PPG Industries/glass	39½	46	37	17	17	3.8	4.18	4.11	9.4
Procter & Gamble/personal products	65½	70⅞	43¼	9	4	2.7	3.79	4.24	19.0
Quaker Oats/food processing	48¼	68⅞	48	8	17	2.9	2.70	3.77	19.1
Ralston Purina/food processing	81⅛	101½	77¾	18	13	2.3	5.99	6.30	13.7
Rohm & Haas/chemicals	29⅝	37½	29⅝	11	15	4.1	2.65	3.78	11.2
Rubbermaid/rubber & plastic products	32½	37¾	25¼	18	16	1.6	1.58	1.81	20.6
Sara Lee/food processing	27½	33¾	22⅜	16	16	3.1	1.75	1.93	15.3
Standard Register/office supplies	17⅛	19⅜	14¾	7	17	3.3	1.35	1.53	12.7
Super Valu Stores/food wholesaling	26½	30⅛	22⅜	12	11	2.5	1.97E	2.29	13.9
Syntex/pharmaceuticals	50⅛	54½	36½	22	27	3.0	2.67	3.01	18.0
Washington Post/publishing	274½	311	207	26	18	1.5	15.50	17.28	17.7
Waste Management/waste disposal	32¼	36¼	20½	27	22	1.0	1.24E	1.50	27.6

E: estimate. *Sources: Institutional Brokers Estimate System, a service of Lynch, Jones & Ryan, and Media General, both via Lotus One Source.*